



Payment Options

TThere are several ways to pay for optional service, refunds, or 2.2 upgrades. The table below will help you select an option.

	After-tax Lump sum	After-tax Installment	Tax-favored Payroll Deduction	Tax-favored Rollover
Optional Service	Yes	Yes	Yes	Yes
Refund	Yes	Yes	Yes	Yes
2.2 Upgrade	Yes	No	Yes	Yes
ERO	Yes	Yes	Yes	Yes

Lump-sum or installment payments

You may make a lump-sum payment directly to TRS when you pay or prepay Early Retirement Option (ERO) contributions, purchase optional service credit, upgrade your service credit to the 2.2 benefit formula, or repay refunded service. Only purchases of optional service credit, ERO prepayments, or repayments of refunds may be made in installment payments directly from you to TRS. Each installment payment must be a minimum of \$50. If your total balance due is less than \$50, your payment must be for the full amount due. You may not make after-tax, direct installment payments for the cost to upgrade to the 2.2 benefit formula.

We accept personal checks, money orders, cashiers' checks, or online payments. You can use your checking account or savings account to make your online payment. Not all balances can be paid online. IRS and TRS rules determine which types of accounts are eligible. Visit our Web site for more details, trs.illinois.gov.

Cash and credit card payments are not accepted.

To make either a lump-sum payment or installment payments using pre-tax dollars, see "Payroll Deduction Program" on this page.

Payment limitations with after-tax dollars

If you would like to pay your 2.2 balance with a one-time, lump-sum, after-tax payment, or make an Early Retirement Option (ERO) after-tax payment, or pay for service with a national or statewide teacher organization using after-tax dollars, the following limits apply:

- ★ The limit for 2005 is \$42,000 after-tax dollars per school year, or 100 percent of compensation, whichever is lower. *(The limits can change annually.)*
- ★ If you do not have earnings from TRS-covered employment in a particular year, you may not make after-tax payments to TRS.
- ★ According to federal laws, you must remit all after-tax payments to TRS no later than July 31 following the school year in which you had the TRS contributable earnings.

Rollovers and payroll deductions are not subject to these limitations because they are pre-tax dollars.

If your contribution will exceed these limits in one school year, you may need to make payments over more than one school year.

Payroll Deduction Program

If you are employed on a full-time basis, you may make an irrevocable payroll deduction election with your employer for:

- ★ optional service payments,
- ★ prepayment of Early Retirement Option (ERO) contributions, or
- ★ 2.2 upgrade payments.

Payroll deduction reduces your taxable income by the amounts deducted from your salary. Federal tax regulations generally do not allow you to make direct payments or rollovers to TRS during the length of the Payroll Deduction Program agreement.

For more information on our Payroll Deduction Program, please contact us.



Rollovers

TRS can accept rollover contributions (other than after-tax contributions) from:

- ★ another qualified Section 401(a) or 401(k) or Keogh plan;
- ★ an annuity plan described in Internal Revenue Code (IRC), Section 403(a);
- ★ a tax-sheltered annuity contract described in IRC, Section 403(b);
- ★ an individual retirement account or annuity (IRA) under IRC, Section 408(a) or Section 408(b) that is eligible to be rolled over and would otherwise be included in gross income;
- ★ a *conduit* individual retirement account described in IRC, Section 408(d);
- ★ a Simplified Employee Pensions Plan (SEP) under IRC, Section 408(k);
- ★ a Savings Incentive Match Plan for Employees (Simple IRA) under IRC, Section 408(p), if there has been participation in the plan for at least two years; and
- ★ an eligible deferred compensation plan under IRC, Section 457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state.

Additionally, TRS will also accept spousal rollovers of distributions from Section 401(a), 401(k), Keogh, 403(a), 403(b) and 457(b) plans that the member's **deceased** spouse participated in or that have been divided by a Qualified Domestic Relations Order.

Roth IRAs are not eligible for rollover.

TRS cannot process the payment without a correctly completed Trustee to Trustee Transfer/Rollover Certification form that provides written confirmation from the transferring plan that the amounts deposited are eligible for rollover treatment. Rollover eligibility is governed by federal law and providers' rules and regulations.

The rollover amount cannot exceed the amount due to TRS. In addition, if you enter into a Payroll Deduction Program agreement, certain payment restrictions apply. (See "Payroll Deduction Program," page 19.)

For more information about rollovers and to obtain the form to initiate the rollover, please contact us.